

Message Text

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TO AMEMBASSY LISBON

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TAGS: BEXP PO

SUBJECT: DISINVESTMENT PROCEDURES IN PORTUGAL - WORKWEAR CORPORATION, CLEVELAND, OHIO

REF: LISBON'S A-196

1. WORKWEAR CORPORATION, U.S. CLOTHING MANUFACTURER LOCATED IN CLEVELAND, OHIO WISHES DECLARE ITS PORTUGUESE (OPORTO) SUBSIDIARY, TEXTIMA TEXTIL, INTERNATIONAL SARL (TT), BANKRUPT IN SUCH MANNER AS TO PERMIT WORKERS TO DIVIDE UP ALL ASSETS, THEREBY OBTAINING WORKWEAR'S NEED MAKE SEVERANCE PAY TO TT WORKERS.

2. LEGAL COUNSEL FOR WORKWEAR, CHARLES A. DUGAN, 1768 EAST 25TH ST., CLEVELAND, OHIO 44114, INDICATED WORKWEAR OWNS 62 PERCENT OF STOCK IN TT, WITH BALANCE IN PRIVATE PORTUGUESE HANDS. BUILDING WHICH HOUSES TT PLANT IS LEASED. MANUFACTURE OF WORK CLOTHING IS MAIN PRODUCT ALTHOUGH SOME INDUSTRIAL DRY CLEANING ALSO DONE.

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3. APPARENTLY, LOCAL UNION WORKERS TOOK OVER TT PLANT AND, IN EFFECT, CLOSED IT; NOTHING CURRENTLY BEING MANUFACTURED. ALL INVENTORY CLAIMED TO HAVE BEEN SOLD, ALTHOUGH SOME ACCOUNTS RECEIVABLE REMAIN OPEN AND LOCAL BOOK KEEPER IS ON

HAND TO MONITOR FINANCIAL TRANSACTIONS. THERE MAY BE ADDITIONAL RESOURCES ON DEPOSIT IN LOCAL BANK(S). WORKWEAR HAS HAD NO RECENT ACCOUNTING.

4. WORKWEAR CONTACTED USDOC THROUGH CLEVELAND-BASED LAW FIRM OF HANN, LOSER, FREEDHAN, DEAN, AND WELMAN. MEMBER THIS FIRM, HARRY MERCER, REQUESTED USDOC OBTAIN INFORMATION ON THE FOLLOWING: (A) WHAT STEPS REQUIRED UNDER EXISTING PORTUGUESE LAW INITIATE BANKRUPTCY PROCEEDINGS? (WORKWEAR REBUFFED IN ITS EFFORTS, THROUGH PARIS OFFICE, TO HIRE REPUTABLE PORTUGUESE ATTORNEY, AS SITUATION IS "TOO POLITICAL".) (B) DEFACTO TAKE OVER OF TT BY WORKERS RAISED QUESTION, HAS IT BEEN OFFICIALLY SANCTIONED BY SIXTH PROVISIONAL GOVERNMENT? (C) WOULD WORKWEAR BE ABLE UNDERTAKE LIQUIDATION CURRENT HOLDINGS IN PORTUGAL TO BE SUBSTITUTED FOR FORMAL BANKRUPTCY PROCEEDINGS AND STILL NOT VIOLATE PORTUGUESE LAWS, ONCE IT WITHDRAWS FROM DOING BUSINESS IN PORTUGAL?

5. USDOC APPRECIATES THAT QUESTIONS (A) AND (C) ARE PRIMARILY LEGAL IN NATURE AND, UNDER NORMAL CIRCUMSTANCES, WOULD HAVE TO BE HANDLED BY LOCAL ATTORNEY HIRED BY WORKWEAR. ADDITIONALLY, WORKWEAR HAS BEEN SENT COPY OF PORTUGUESE ATTORNEY LIST AND LISBON'S A-196. WE HAVE URGED WORKWEAR TO CONTACT COMMERCIAL ATTACHE AT LISBON FOR BEST WAY TO APPROACH THE SITUATION. USDOC HAS NO KNOWLEDGE OR ASSETS AND/OR DEBTS OF TT.

6. ACTION PLEASE RESPOND TO QUESTION (B) SPECIFICALLY AND TO THOSE PORTIONS OF (A) AND (C) NOT ALREADY COVERED BY A-196. WE WILL PASS INFORMATION ON TO WORKWEAR. KISSINGER

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